

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 		Printed Name		License Number

# **Charter Township of Van Buren**

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**Financial Report  
with Supplemental Information  
December 31, 2006**

# Charter Township of Van Buren

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# Charter Township of Van Buren

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## Independent Auditor's Report

To the Township Board  
Charter Township of Van Buren  
Wayne County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Van Buren as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Van Buren's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the Township's 2005 financial statements and, in our report dated April 5, 2006, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Van Buren, as of December 31, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Township Board  
Charter Township of Van Buren

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Van Buren's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The financial statements include partial prior year comparative information. Such information does not include all of the information required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Township's financial statements for the year ended December 31, 2005, from which such partial information was derived.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2007 on our consideration of the Charter Township of Van Buren's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Plante & Moran, PLLC*

May 9, 2007

# **Charter Township of Van Buren**

## **Management's Discussion and Analysis**

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### **Overview of the Financial Statements**

The Charter Township of Van Buren's 2006 annual report is presented in conformity with the requirements of GASB 34. This annual report consists of four parts - management's discussion and analysis, the basic financial statements, required supplemental information, and other supplemental information that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

### **Government-wide Statements**

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Township's net assets and how they have changed. Net assets, the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into three categories:

- **Governmental activities** - Most of the Township's basic services are included here, such as the police, fire, public works, community services, and general administration. Property taxes, state-shared revenue, landfill royalties, and charges for services provide most of the funding.
- **Business-type activities** - The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer system is treated as a business-type activity.
- **Component units** - The Township includes two other entities in its report: the Downtown Development Authority and the Local Development Finance Authority. Although legally separate, these "component units" are important because the Township is financially accountable for them.

# **Charter Township of Van Buren**

## **Management's Discussion and Analysis (Continued)**

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### **Fund Financial Statements**

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law and bond covenants. The Township board establishes other funds to control and manage money for particular purposes.

The Township has three types of funds:

- Governmental funds - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets that can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.
- Proprietary funds - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like government-wide statements, provide both long- and short-term financial information.
- Fiduciary funds - The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.



# Charter Township of Van Buren

## Management's Discussion and Analysis (Continued)

### Financial Overview

The Township has combined total net assets of \$96.3 million. This is an increase over 2005 of \$11.2 million. Business-type activities comprise \$67.5 million, and governmental activities make up \$28.8 million of the total net assets. In a condensed format, the table below shows a comparison of the net assets as of the current date to the prior year (in thousands):

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Assets</b>						
Current assets	\$ 21,955	\$ 18,064	\$ 18,274	\$ 14,367	\$ 40,229	\$ 32,431
Noncurrent assets	<u>17,635</u>	<u>11,300</u>	<u>68,491</u>	<u>62,528</u>	<u>86,126</u>	<u>73,828</u>
Total assets	39,590	29,364	86,765	76,895	126,355	106,259
<b>Liabilities</b>						
Current liabilities	5,394	4,936	9,362	7,847	14,756	12,783
Long-term liabilities	<u>5,399</u>	<u>232</u>	<u>9,925</u>	<u>8,173</u>	<u>15,324</u>	<u>8,405</u>
Total liabilities	<u>10,793</u>	<u>5,168</u>	<u>19,287</u>	<u>16,020</u>	<u>30,080</u>	<u>21,188</u>
<b>Net Assets</b>						
Invested in capital assets -						
Net of related debt	15,100	11,063	37,400	37,143	52,500	48,206
Restricted	1,251	641	19,663	15,156	20,914	15,797
Unrestricted	<u>12,446</u>	<u>12,492</u>	<u>10,415</u>	<u>8,576</u>	<u>22,861</u>	<u>21,068</u>
Total net assets	<u>\$ 28,797</u>	<u>\$ 24,196</u>	<u>\$ 67,478</u>	<u>\$ 60,875</u>	<u>\$ 96,275</u>	<u>\$ 85,071</u>

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, decreased by \$46,000 for the governmental activities. The Township is able to report positive balances in all three categories of net assets, both for the governmental activities and business-type activities.

# Charter Township of Van Buren

## Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets for 2006 (in thousands):

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 1,857	\$ 1,755	\$ 5,540	\$ 7,276	\$ 7,397	\$ 9,031
Operating grants and contributions	763	591	-	-	763	591
Capital grants and contributions	5,918	714	1,223	73	7,141	787
General revenue:						
Property taxes	3,911	3,525	5,436	4,875	9,347	8,400
State-shared revenue	1,993	2,013	-	-	1,993	2,013
Unrestricted fees and other	258	237	-	-	258	237
Unrestricted investment earnings	824	481	1,432	594	2,256	1,075
Landfill royalties	2,979	2,955	-	-	2,979	2,955
Total revenue	18,503	12,271	13,631	12,818	32,134	25,089
<b>Program Expenses</b>						
General government	2,623	2,367	-	-	2,623	2,367
Public safety	7,996	6,188	-	-	7,996	6,188
Public works	1,324	371	-	-	1,324	371
Community and economic development	470	705	-	-	470	705
Recreation and culture	1,489	1,492	-	-	1,489	1,492
Water and sewer	-	-	7,028	6,919	7,028	6,919
Total program expenses	13,902	11,123	7,028	6,919	20,930	18,042
<b>Change in Net Assets</b>	<b>\$ 4,601</b>	<b>\$ 1,148</b>	<b>\$ 6,603</b>	<b>\$ 5,899</b>	<b>\$ 11,204</b>	<b>\$ 7,047</b>

### Governmental Activities

Revenues for governmental activities totaled \$18.5 million. A total of \$3.9 million was in the form of property tax collections. Charges for services such as court fines, building permits, and recreation fees accounted for \$1.9 million in revenue. State-shared revenues continue to be of concern. While they provided \$2.0 million, we are uncertain what will happen in 2007 given the State's continued financial difficulties. Landfill royalties brought in \$2.9 million in 2006.

# **Charter Township of Van Buren**

## **Management's Discussion and Analysis (Continued)**

### **Business-type Activities**

The Charter Township of Van Buren has one business-type activity, the water and sewer operation. Revenues for business-type activities were \$13.6 million. Water is provided to the Charter Township of Van Buren's residents via the Detroit Water and Sewer Department. Sewage treatment is provided by contracts with South Huron Valley Utility Authority, Wayne County, the Downriver Sewage System, and the Ypsilanti Community Utility Authority.

### **Current Economic Events**

Despite what some have termed a "one state recession," the Charter Township of Van Buren has concluded a year in which the board was able to fund capital improvements and maintain a high quality level of service while the Township continues to transition from what was once a small, rural, agricultural community. Since 1975, we have increased in population by 9,331 people to 26,445 residents in 2004, or just over 54 percent in nearly 30 years.

In 2006, the Township's largest employers were Visteon Corporation, Willow Run Airport (owned by Wayne County), Van Buren Public Schools, and L&W Engineering. Also among the top 10 largest employers are Meijer, JP Morgan (Chase), Ricardo, DTE Energy, Murray's Discount Auto Parts, and WalMart. The number of people these companies employ ranges from 240 to 2,400 individuals. In some cases, these employers realized less employees than in 2005, likely due to the difficult economic times being experienced throughout the state of Michigan. The local unemployment rate for 2006 was 7.2 percent.

Differing somewhat from largest employers, the Township's largest taxpayers include Visteon Corporation, Ecorse-Belleville, LLC, Ashley Crossroads South, LLC, Detroit Edison Co., Bank One, Occidental Development, Ltd., Contractors Steel Company, Ltd., Harbour Club Apartments, L&W Engineering Co., and General Motors Corporation, with a combined taxable valuation of \$262,150,385.

The Township's state equalized valuation totals \$1,464,724,500, with a taxable value of \$999,559,743. Taxable valuations by use are residential 62.95 percent, industrial 25.33 percent, commercial 11.36 percent, and agricultural 0.36 percent. Real property comprises 90.22 percent and personal property represents 9.78 percent of the Township's 2006 taxable valuation.

The Township has an A rating from Standard and Poors and an A3 rating from Moody's. These ratings are defined as meaning the Township "has strong capacity to meet its financial commitments, but is somewhat more susceptible to the adverse effects of changes in circumstance and economic conditions than obligors in higher-rated categories. Protection factors are adequate." These ratings are among the highest possible and are considered "investment grade" with respect to bonding and permit the Township to enjoy more favorable interest rates when incurring debt.

# **Charter Township of Van Buren**

## **Management's Discussion and Analysis (Continued)**

In 2006, the Township employed 103 full-time personnel, 45 part-time employees including seasonal personnel, two independent contractors, and election inspectors hired on a "per election" basis. The unionized employees are represented by four different collective bargaining units. The Police Officers Labor Council (POLC) represents two units, command officers, and police officers/dispatchers. The Michigan Association of Fire Fighters represents the Township's one full-time fire inspector and its paid-call, volunteer fire fighters. The fourth union, the American Federation of State, County and Municipal Employees (AFSME), represents field crew, clerical employees, building inspectors, and ordinance enforcement officers. In 2006, management was engaged in contract talks that started in 2005 with the two POLC bargaining units and the AFSCME unit, with contracts having expired in 2005. While the POLC officers/dispatchers contract was ratified, the POLC command unit contract is proceeding to Act 312 binding arbitration and the AFSCME agreement was rejected by the union with the negotiating team going back into contract talks.

The Township's workforce represents just over 0.5 percent of the Township's total population based upon the 2004 U.S. Census estimates of 26,445 residents. The Township is governed by an elected, partisan seven-member board of trustees. The board of trustees saw a new face in Trustee Lianne Clair who was appointed and subsequently elected to fill a vacant trustee position in 2006. The environmental director position was phased out and those duties were combined with the vacant zoning and planning administrator position to create a new position of deputy director of planning and economic development. An animal control officer position also remains vacant for the time being. Two new positions were created, an information technology director and public safety IT coordinator.

In 2005, the board of trustees approved the formation of a traffic unit as a means to hire four additional police officers to address a recognized need for improved traffic enforcement. Intended to be self-supporting, the traffic unit became fully functional and fully staffed with four officers for six months of 2006. The result was an approximate 40 percent reduction in accidents.

In 2006, the financial situation facing Michigan continued to be serious. As has been reported extensively by the Michigan Municipal League, the Township, like other local governments, has been impacted not only by Michigan's economy but also by the structural funding problems caused by the well-intentioned but competing Headlee Act and Proposal A which limit growth in taxes. In the Township, we are experiencing an ever-increasing reliance upon landfill tipping fees to provide needed revenue to continue routine, municipal services. In 2006, the \$12.5 million General Fund budget was financed with a \$3.3 million transfer of Landfill Funds. The Township's ability to receive landfill tipping fees is a result of the Host Community Agreement (the HCA) which the Township entered into in 1990 with Waste Management, Inc. (WMI) in return for WMI locating a sanitary landfill in the Township. The HCA also provides for free garbage collection, disposal, and curbside recycling and compost pick-up to Township residents. Absent the HCA benefits, these services would otherwise cost Van Buren taxpayers more than \$2 million annually or about two mills in property taxes. The HCA also provides funding for the Township's annual fireworks display and provides annual royalties earmarked for public safety, recreation, and environmental services, revenues totaling over \$300,000.

# **Charter Township of Van Buren**

## **Management's Discussion and Analysis (Continued)**

The 2006 property tax revenue resulted from the 2005 millage rate of 3.8864 mills. The millage rate was reduced due to the Headlee Act (rollback) from 2004 of 3.91 mills and includes 0.9155 mill for general operating, and 2.9709 mills (voter approved) for public safety services.

### **Financial Analysis of Township Funds and Budgets**

The 2006 General Fund had a balanced budget in accordance with statute of \$12.5 million as amended prior to year end. The General Fund included a new IT department which reflects the board's decision to create a full-time management position of IT director and to transfer funds from General Office to the new department for contracted information technology services. The Public Safety Department continues to comprise just over 50 percent of the General Fund budget.

Representing approximately 15 percent of General Fund revenues, state-shared revenue (SSR) was held at the 2004 level for 2006. SSR has been reduced annually for the past several years and in total, the Township has seen a reduction of over \$1.6 million in SSR. In 2006, roughly 30 percent of General Fund revenues came from landfill monies. Property taxes generate approximately 25 percent of the operating revenue for General Fund services, with about 30 percent of General Fund revenues derived from licenses, permits, and other miscellaneous revenue.

The Board has worked to achieve cost cutting through increases in health insurance prescription co-pays by employees and the elimination of traditional Blue Cross insurance as an option to new employees (as ratified by some of the four unions). The board has reduced the number of *Lake Ledger* publications from four per year to two per year. Since 2005, three positions have been vacant and will remain so for the time being. Capital improvements including the purchase of an aerial/ladder truck, a truck for the parks department, and new carpeting for Township offices and conference rooms have been postponed.

In November 2006, the Township broke ground on a new fire station on Sumpter and Hull Roads, and celebrated the opening of new Fire Station #2 on Belleville Road. New Fire Station #1 will replace the current 60-year-old station located across from the Fred C. Fischer Library in downtown Belleville. New Fire Station #2, which also serves as the department's headquarters, replaces a 40-some-year-old building. The Township board is financing the cost of Fire Station #1 with a 15-year bond issue with a less than 5 percent rate. The DDA is financing the cost of Fire Station #2 with a 22-year bond at a 4.53 percent rate.

The Township also purchased 42 acres of land immediately west of Township Hall at a cost of \$2.2 million which was financed along with Fire Station #1 with a 15-year bond. The board has yet to identify a use for this property; however, there are no restrictions on the use of this land and if no use is determined, the Township can sell the property.

# **Charter Township of Van Buren**

## **Management's Discussion and Analysis (Continued)**

Development continued at a much slower pace in Van Buren in 2006. By comparison, 2006 saw 149 new housing permits compared to 473 in 2005, a 70 percent reduction. A majority of building permits were issued for home improvements, including installing swimming pools, pole barns, detached and attached garages, decks, and finishing basements. In 2006, the Township issued 516 electrical permits as compared to 907 in 2005, 429 plumbing permits as compared to 1,144 in 2005, and 739 mechanical permits as compared to 1,554 such permits in 2005.

Several new commercial or industrial developments either started construction or were completed in 2006, including Belleville Road Murray's Discount Auto Parts, Boric, Gray's Diesel Service, and Marco's Pizza. Also in development were Thornell Child Day Care, the Envelope Printery (a Wayne County TURBO-eligible project), Victoria Park, a residential development, and the Chase Bank building expansion. Wayne County Community College started work on an expansion and the Huron-Clinton Metroparks Authority broke ground on its new family aquatics facility at Lower Huron Metro Park.

Relative to Township-initiated capital improvements, the community services department, using a portion of a \$2 million Wayne County parks grant, constructed new restrooms in Van Buren and French Landing Parks. In the water and sewer department, construction of a \$12 million equalization basin, a large storage tank that will be used to store storm water to be released into the sanitary sewer system after wet weather events to prevent flooding and to guard against flows in the system exceeding contractual capacities, also commenced. This State Revolving Fund-qualified project is receiving a very favorable 1.625 percent rate to make it affordable for our community.

The Township board has been able to maintain a fund balance in the General Fund both designated and undesignated of about \$2.7 million. Among the uses for designated funds are future land and municipal facilities needs, computer networking, compensated absences, French Landing Dam reserve, and senior bequest reserve.

All financial operations of the Township are monitored on a routine basis with monthly financial reports being provided to the board of trustees and department directors. Appropriate accounting measures are in place to ensure proper checks and balances among and between accounting functions and in accordance with recommendations from professional accountants and the Governmental Accounting Standards Board.

The General Fund budget is amended throughout the year as deemed necessary. This is done primarily to prevent expenditures from being over budget.

### **Capital Assets and Debt**

At the end of 2006, the Township had approximately \$64 million invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines, net of related accumulated depreciation.

# **Charter Township of Van Buren**

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## **Management's Discussion and Analysis (Continued)**

Debt related to the water and sewer system totaling \$9.9 million is recorded as a liability in the business-type activities in the statement of net assets (deficit).

### **Contact Us**

This report is intended to aid our residents and other interested parties in understanding the Township's financial condition and to show the Township's accountability for money it receives. Should you have further questions, we welcome you to contact the clerk's office.

# Charter Township of Van Buren

## Statement of Net Assets (Deficit) December 31, 2006

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 3)	\$ 12,031,984	\$ 10,617,273	\$ 22,649,257	\$ 4,221,599
Receivables - Net:				
Property taxes	3,914,957	5,224,592	9,139,549	-
Special assessments	1,472,695	1,288	1,473,983	-
Customers	-	1,536,733	1,536,733	-
Accrued interest and other receivables	850,798	74,213	925,011	-
Due from other governmental units	642,707	798,318	1,441,025	-
Due from primary government	-	-	-	2,280,922
Prepaid expenses	138,702	21,258	159,960	-
Restricted assets (Note 7)	2,903,204	21,179,482	24,082,686	2,336,243
Capital assets:				
Assets not subject to depreciation (Note 4)	4,985,172	1,941,750	6,926,922	-
Assets subject to depreciation - Net (Note 4)	12,650,067	45,361,326	58,011,393	916,468
Amortizable noncurrent assets	-	-	-	178,693
Long-term assessment receivable	-	8,822	8,822	-
Total assets	39,590,286	86,765,055	126,355,341	9,933,925
<b>Liabilities</b>				
Accounts payable	410,131	1,228,678	1,638,809	12,440
Due to other governmental units	-	205,493	205,493	-
Cash bonds and deposits	429,319	1,133,698	1,563,017	-
Accrued and other liabilities	286,458	653,349	939,807	2,132,792
Deferred revenue (Note 15)	4,268,180	6,140,786	10,408,966	2,280,922
Noncurrent liabilities (Note 6):				
Due within one year -				
Current portion of long-term debt	314,139	642,675	956,814	498,030
Due in more than one year:				
Compensated absences	71,956	22,014	93,970	-
Long-term debt - Net of current portion	5,012,670	9,260,724	14,273,394	32,967,413
Total liabilities	10,792,853	19,287,417	30,080,270	37,891,597
<b>Net Assets (Deficit)</b>				
Invested in capital assets - Net of related debt	15,100,101	37,399,677	52,499,778	916,468
Restricted for:				
Water and sewer line construction and debt (Note 7)	-	19,662,837	19,662,837	-
Museum capital projects	11,909	-	11,909	-
911 service	491,682	-	491,682	-
Special assessments	642,467	-	642,467	-
Law enforcement	128,145	-	128,145	-
Debt service	-	-	-	2,048,660
Unrestricted	12,423,129	10,415,124	22,838,253	(30,922,800)
Total net assets (deficit)	\$ 28,797,433	\$ 67,477,638	\$ 96,275,071	\$ (27,957,672)

The Notes to Financial Statements are an  
Integral Part of this Statement.



# Charter Township of Van Buren

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,622,536	\$ 195,587	\$ -	\$ -
Public safety	7,995,730	1,289,636	117,564	3,975,251
Public works	1,323,602	7,435	417,266	1,378,069
Community and economic development	470,435	106,057	155,285	564,433
Recreation and culture	1,489,395	257,613	72,893	-
Total governmental activities	13,901,698	1,856,328	763,008	5,917,753
Business-type activities -				
Water and sewer	7,028,495	5,540,038	-	1,222,246
Total primary government	\$ 20,930,193	\$ 7,396,366	\$ 763,008	\$ 7,139,999
Component units:				
Downtown Development Authority	\$ 4,576,856	\$ -	\$ -	\$ -
Local Development Finance Authority	1,422,042	-	-	-
Total component units	\$ 5,998,898	\$ -	\$ -	\$ -
General revenues:				
Property taxes				
State-shared revenue				
Unrestricted investment income				
Cable franchise fees				
Landfill royalties				
Total general revenues				
Change in Net Assets (Deficit)				
Net Assets (Deficit) - Beginning of year				
Net Assets (Deficit) - End of year				

**Statement of Activities**  
**Year Ended December 31, 2006**

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (2,426,949)	\$ -	\$ (2,426,949)	\$ -
(2,613,279)	-	(2,613,279)	-
479,168	-	479,168	-
355,340	-	355,340	-
(1,158,889)	-	(1,158,889)	-
(5,364,609)	-	(5,364,609)	-
-	(266,211)	(266,211)	-
(5,364,609)	(266,211)	(5,630,820)	-
-	-	-	(4,576,856)
-	-	-	(1,422,042)
-	-	-	(5,998,898)
3,911,076	5,436,448	9,347,524	3,608,544
1,993,368	-	1,993,368	-
824,208	1,432,439	2,256,647	431,640
258,123	-	258,123	-
2,979,071	-	2,979,071	-
9,965,846	6,868,887	16,834,733	4,040,184
4,601,237	6,602,676	11,203,913	(1,958,714)
24,196,196	60,874,962	85,071,158	(25,998,958)
<b>\$ 28,797,433</b>	<b>\$ 67,477,638</b>	<b>\$ 96,275,071</b>	<b>\$ (27,957,672)</b>

# Charter Township of Van Buren

## Governmental Funds Balance Sheet December 31, 2006

	General Fund	Landfill Fund	Capital Improvement Fund	Belle Harbor/Lake Crest Paving Fund	Other Nonmajor Governmental Funds	Total
<b>Assets</b>						
Cash and investments (Note 3)	\$ 3,563,076	\$ 7,203,923	\$ 444,861	\$ 67,936	\$ 752,188	\$ 12,031,984
Receivables:						
Property taxes	3,914,957	-	-	-	-	3,914,957
Special assessments	-	-	-	1,390,024	82,671	1,472,695
Accrued interest and other receivables	675,585	175,213	-	-	-	850,798
Due from other governments	324,148	-	-	306,956	11,603	642,707
Due from other funds (Note 5)	10,727	1,300,820	3,000	-	-	1,314,547
Prepaid expenditures	138,039	-	-	-	663	138,702
Restricted assets (Note 7)	-	-	2,903,204	-	-	2,903,204
<b>Total assets</b>	<b>\$ 8,626,532</b>	<b>\$ 8,679,956</b>	<b>\$ 3,351,065</b>	<b>\$ 1,764,916</b>	<b>\$ 847,125</b>	<b>\$ 23,269,594</b>
<b>Liabilities and Fund Balances (Deficit)</b>						
<b>Liabilities</b>						
Accounts payable	\$ 287,111	\$ -	\$ 111,533	\$ 10,640	\$ 847	\$ 410,131
Due to other funds	3,000	-	-	1,241,180	70,367	1,314,547
Cash bonds and deposits	429,319	-	-	-	-	429,319
Accrued and other liabilities	230,950	-	-	-	1,996	232,946
Deferred revenue (Note 15)	4,805,581	-	-	1,390,024	103,124	6,298,729
<b>Total liabilities</b>	<b>5,755,961</b>	<b>-</b>	<b>111,533</b>	<b>2,641,844</b>	<b>176,334</b>	<b>8,685,672</b>
<b>Fund Balances (Deficit)</b>						
Reserved for:						
Prepays	138,039	-	-	-	-	138,039
Unspent bond proceeds	-	-	2,791,671	-	-	2,791,671
Special assessments	-	-	-	-	106,247	106,247
Law enforcement	-	-	-	-	128,145	128,145
911 service	-	-	-	-	491,682	491,682
Museum capital projects	-	-	-	-	11,909	11,909
Unreserved, reported in:						
General Fund:						
Designated (Note 14)	2,175,974	-	-	-	-	2,175,974
Undesignated	556,558	-	-	-	-	556,558
Special Revenue Funds:						
Designated	-	4,726,000	447,861	-	-	5,173,861
Undesignated	-	3,953,956	-	(876,928)	(67,192)	3,009,836
<b>Total fund balances (deficit)</b>	<b>2,870,571</b>	<b>8,679,956</b>	<b>3,239,532</b>	<b>(876,928)</b>	<b>670,791</b>	<b>14,583,922</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 8,626,532</b>	<b>\$ 8,679,956</b>	<b>\$ 3,351,065</b>	<b>\$ 1,764,916</b>	<b>\$ 847,125</b>	<b>\$ 23,269,594</b>

The Notes to Financial Statements are an  
Integral Part of this Statement.

# Charter Township of Van Buren

## **Governmental Funds** **Reconciliation of the Balance Sheet to the Statement of Net Assets** **(Deficit)** **Year Ended December 31, 2006**

<b>Fund Balance Reported in Governmental Funds</b>	<b>\$</b>	<b>14,583,922</b>
Amounts reported for governmental activities in the statement of net assets (deficit) are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds		17,635,239
Special assessment and property tax receivables are expected to be collected over several years and are not available to pay for current year expenditures		2,030,549
Long-term notes payable are not due and payable in the current period and are not reported in the funds		(5,326,809)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities		(71,956)
Interest amounts on long-term liabilities are not payable until due in the funds		(53,512)
<b>Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>28,797,433</u></b>

# Charter Township of Van Buren

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) Year Ended December 31, 2006

	General Fund	Landfill Fund	Capital Improvement Fund	Belle Harbor/Lake Crest Paving Fund	Other Nonmajor Governmental Funds	Total
<b>Revenue</b>						
Property taxes	\$ 3,911,076	\$ -	\$ -	\$ -	\$ -	\$ 3,911,076
Licenses, fees, and permits	714,266	-	-	-	-	714,266
Federal grants	39,066	-	-	-	264,274	303,340
State-shared revenue and grants	1,993,368	-	-	-	-	1,993,368
Charges for services	227,372	-	-	-	-	227,372
Fines and forfeitures	583,334	-	-	-	-	583,334
Investment income	282,591	378,431	115,393	-	47,793	824,208
Other revenue:						
Special assessments	-	-	-	110,351	21,418	131,769
Contributions and donations	-	-	-	-	72,893	72,893
Cable franchise fees	-	-	-	-	258,123	258,123
Landfill royalties	-	2,979,071	-	-	-	2,979,071
Other income	440,589	-	-	308,033	117,564	866,186
<b>Total revenue</b>	<b>8,191,662</b>	<b>3,357,502</b>	<b>115,393</b>	<b>418,384</b>	<b>782,065</b>	<b>12,865,006</b>
<b>Expenditures - Current</b>						
General government	2,417,239	-	-	-	-	2,417,239
Public safety	6,946,266	-	2,595,529	-	45,962	9,587,757
Public works	155,811	-	-	1,167,735	56	1,323,602
Community and economic development	118,206	-	-	-	256,005	374,211
Recreation and culture	1,922,736	-	-	-	78,940	2,001,676
Insurance and other	577,195	-	-	-	-	577,195
<b>Total expenditures</b>	<b>12,137,453</b>	<b>-</b>	<b>2,595,529</b>	<b>1,167,735</b>	<b>380,963</b>	<b>16,281,680</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>(3,945,791)</b>	<b>3,357,502</b>	<b>(2,480,136)</b>	<b>(749,351)</b>	<b>401,102</b>	<b>(3,416,674)</b>
<b>Other Financing Sources (Uses)</b>						
Proceeds from the issuance of debt	-	-	5,165,000	-	-	5,165,000
Transfers in	3,737,948	-	91,564	-	-	3,829,512
Transfers out	-	(3,391,564)	-	-	(437,948)	(3,829,512)
<b>Total other financing sources (uses)</b>	<b>3,737,948</b>	<b>(3,391,564)</b>	<b>5,256,564</b>	<b>-</b>	<b>(437,948)</b>	<b>5,165,000</b>
<b>Net Change in Fund Balances</b>	<b>(207,843)</b>	<b>(34,062)</b>	<b>2,776,428</b>	<b>(749,351)</b>	<b>(36,846)</b>	<b>1,748,326</b>
<b>Fund Balances (Deficit) - Beginning of year</b>	<b>3,078,414</b>	<b>8,714,018</b>	<b>463,104</b>	<b>(127,577)</b>	<b>707,637</b>	<b>12,835,596</b>
<b>Fund Balances (Deficit) - End of year</b>	<b>\$ 2,870,571</b>	<b>\$ 8,679,956</b>	<b>\$ 3,239,532</b>	<b>\$ (876,928)</b>	<b>\$ 670,791</b>	<b>\$ 14,583,922</b>

The Notes to Financial Statements are an  
Integral Part of this Statement.

# Charter Township of Van Buren

## **Governmental Funds** **Reconciliation of the Statement of Revenue, Expenditures,** **and Changes in Fund Balances of Governmental Funds** **to the Statement of Activities** **Year Ended December 31, 2006**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 1,748,326</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	7,166,957
Depreciation expense	(832,045)

Revenues are recorded in the statement of activities when they are earned; they are not reported in the funds until collected or collectible within 60 days of year end	1,662,678
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Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets (deficit)	(5,165,000)
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Governmental funds report principal payments of the debt as expenditures; these principal payments are a reduction to the liability in the statement of net assets (deficit)	75,759
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The change in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	(1,926)
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Interest is recorded as it accrues in the statement of activities	(53,512)
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<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 4,601,237</u></b>
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# Charter Township of Van Buren

## Proprietary Funds - Enterprise - Water and Sewer Statement of Net Assets

**December 31, 2006**

**(with comparative information for 2005)**

	2006	2005
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 10,617,273	\$ 8,491,605
Receivables:		
Property taxes	5,224,592	4,454,881
Special assessments	1,288	2,128
Customers	1,536,733	1,313,872
Accrued interest	74,213	61,754
Due from other governmental units	798,318	29,192
Prepaid expenses	21,258	19,781
Total current assets	18,273,675	14,373,213
Noncurrent assets:		
Restricted assets (Note 7)	21,179,482	16,457,932
Capital assets:		
Assets not subject to depreciation (Note 4)	1,941,750	1,384,600
Assets subject to depreciation - Net (Note 4)	45,361,326	44,675,022
Long-term assessments receivable	8,822	10,369
Total noncurrent assets	68,491,380	62,527,923
Total assets	86,765,055	76,901,136
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	1,228,678	384,346
Due to other governmental units	205,493	205,493
Due to other funds	-	6,387
Refundable deposits, bonds, etc.	1,133,698	940,988
Accrued and other liabilities	653,349	46,601
Deferred revenue (Note 15)	6,140,786	5,503,716
Current portion of long-term debt (Note 6)	642,675	765,641
Total current liabilities	10,004,679	7,853,172
Noncurrent liabilities:		
Compensated absences	22,014	22,014
Long-term debt - Net of current portion (Note 6)	9,260,724	8,150,988
Total noncurrent liabilities	9,282,738	8,173,002
Total liabilities	19,287,417	16,026,174
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	37,399,677	37,142,993
Restricted (Note 7)	19,662,837	15,155,978
Unrestricted	10,415,124	8,575,991
Total net assets	<u>\$ 67,477,638</u>	<u>\$ 60,874,962</u>

# Charter Township of Van Buren

## Proprietary Funds - Enterprise - Water and Sewer Fund Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2006 (with comparative information for 2005)

	2006	2005
<b>Operating Revenue</b>		
Water sales	\$ 2,379,878	\$ 2,244,946
Sewage disposal revenue	1,790,104	1,712,917
Water and sewer service charge	1,088,597	2,319,824
Customer penalties	129,011	92,032
Other revenues	152,448	453,508
Total operating revenue	5,540,038	6,823,227
<b>Operating Expenses</b>		
Water purchase	2,037,063	2,062,543
Sewage disposal charges	1,218,247	1,310,007
Maintenance	62,983	39,253
Administration fee	402,539	386,198
Other expenses	116,916	89,385
Salaries and wages	692,340	671,794
Payroll taxes and fringe benefits	325,401	313,044
Insurance	163,254	171,479
Supplies and materials	40,165	33,080
Engineering fees	15,058	8,480
Professional services	64,662	82,718
Vehicle expense	28,704	28,666
Depreciation and amortization	1,598,550	1,492,392
Total operating expenses	6,765,882	6,689,039
<b>Operating (Loss) Income</b>	(1,225,844)	134,188
<b>Nonoperating Revenue (Expense)</b>		
Property tax revenue	5,436,448	4,874,880
Investment income	1,432,439	593,990
Interest expense	(262,613)	(230,133)
<b>Income - Before contributions</b>	5,380,430	5,372,925
<b>Capital Contributions</b>		
Capital grants	-	59,913
Capital Charge	1,222,246	466,527
Total capital contributions	1,222,246	526,440
<b>Change in Net Assets</b>	6,602,676	5,899,365
<b>Net Assets - Beginning of year</b>	60,874,962	54,975,597
<b>Net Assets - End of year</b>	<b>\$ 67,477,638</b>	<b>\$ 60,874,962</b>



# Charter Township of Van Buren

## Proprietary Funds - Enterprise - Water and Sewer Fund

### Statement of Cash Flows

Year Ended December 31, 2006

(with comparative information for 2005)

	2006	2005
<b>Cash Flow from Operating Activities</b>		
Receipts from customers	\$ 5,181,462	\$ 6,197,290
Payments to suppliers	(2,508,804)	(4,297,186)
Payments to employees	(1,021,125)	(978,111)
Other receipts	150,971	454,295
Net cash provided by operating activities	1,802,504	1,376,288
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from debt issuance	954,093	-
Proceeds from grant revenue	-	600,367
Collection of customer special assessments	2,387	6,470
Capital contribution	182,099	453,137
Proceeds from property tax levy	5,303,807	4,778,057
Purchase of capital assets	(1,792,418)	(710,789)
Principal and interest paid on capital debt	(862,410)	(1,013,585)
Increase in monies held at Wayne County for debt retirement	(161,513)	(95,084)
Net cash provided by capital and related financing activities	3,626,045	4,018,573
<b>Cash Flows from Investment Activities - Interest received on investments</b>	1,203,978	569,853
<b>Net Increase in Cash and Cash Equivalents</b>	6,632,527	5,964,714
<b>Cash and Cash Equivalents - Beginning of year</b>	23,647,583	17,682,869
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 30,280,110</b>	<b>\$ 23,647,583</b>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>		
Cash and investments	\$ 10,617,273	\$ 8,491,605
Restricted investments	19,662,837	15,155,978
Total cash and cash equivalents	<b>\$ 30,280,110</b>	<b>\$ 23,647,583</b>
<b>Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities</b>		
Operating (loss) income	\$ (1,225,844)	\$ 134,188
Adjustments to reconcile operating (loss) income to net cash from operating activities:		
Depreciation and amortization	1,598,550	1,492,392
Changes in assets and liabilities:		
Receivables	(235,320)	(194,158)
Due from others	(6,387)	8,437
Prepaid and other assets	(1,477)	(1,263)
Accounts payable	844,332	(157,029)
Due from other governmental units	29,192	21,729
Accrued and other liabilities	799,458	71,992
Net cash provided by operating activities	<b>\$ 1,802,504</b>	<b>\$ 1,376,288</b>

**Noncash Investing, Capital, and Financing Activities** - The Township has assets held at Wayne County for the purpose of financing water and sewer lines. During the year ended December 31, 2006, interest income of \$228,461 was earned on these assets and \$48,390 was expended for interest payments. Additionally, the Water and Sewer Fund received \$491,112 of water lines and \$549,035 of sewer lines donated by developers. These lines were recorded as capital assets.

# **Charter Township of Van Buren**

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## **Fiduciary Fund - Agency Fund Statement of Fiduciary Net Assets December 31, 2006**

<b>Assets</b> - Cash and cash equivalents	<u><b>\$ 3,818,634</b></u>
<b>Liabilities</b> - Due to other governmental units	<u><b>\$ 3,818,634</b></u>

# Charter Township of Van Buren

## Component Units Statement of Net Assets (Deficit) December 31, 2006

	DDA	LDFA	Total
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 4,209,520	\$ 12,079	\$ 4,221,599
Due from primary government	1,034,980	1,245,942	2,280,922
Restricted assets (Note 7)	1,062,017	1,274,226	2,336,243
Capital assets - Assets subject to depreciation - Net (Note 4)	916,468	-	916,468
Unamortized net bond issuance costs	-	178,693	178,693
Total assets	7,222,985	2,710,940	9,933,925
<b>Liabilities</b>			
Accounts payable	12,440	-	12,440
Accrued liabilities	93,515	2,039,277	2,132,792
Deferred revenue	1,034,980	1,245,942	2,280,922
Long-term debt (Note 6)	8,266,377	25,199,066	33,465,443
Total liabilities	9,407,312	28,484,285	37,891,597
<b>Net Assets (Deficit)</b>			
Invested in capital assets - Net of related debt	916,468	-	916,468
Restricted for debt service	1,062,017	986,643	2,048,660
Unrestricted	(4,162,812)	(26,759,988)	(30,922,800)
Total net deficit	<u>\$ (2,184,327)</u>	<u>\$ (25,773,345)</u>	<u>\$ (27,957,672)</u>

# Charter Township of Van Buren

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Downtown Development Authority -				
Governmental activities:				
Public safety	\$ 3,975,251	\$ -	\$ -	\$ -
Community and economic development	220,820	-	-	-
Interest on long-term debt	380,785	-	-	-
Total Downtown Development Authority	4,576,856	-	-	-
Local Development Finance Authority -				
Governmental activities:				
Community and economic development	88,106	-	-	-
Interest on long-term debt	1,333,936	-	-	-
Total Local Development Finance Authority	1,422,042	-	-	-
Total component unit activities	<b>\$ 5,998,898</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
General revenues:				
Property taxes				
Unrestricted investment income				
Total general revenues				
<b>Change in Net Assets (Deficit)</b>				
<b>Net Assets (Deficit) - Beginning of year</b>				
<b>Net Deficit - End of year</b>				

**Component Units  
Statement of Activities  
Year Ended December 31, 2006**

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>DDA</u>	<u>LDFA</u>	<u>Total</u>
\$ (3,975,251)	\$ -	\$ (3,975,251)
(220,820)	-	(220,820)
<u>(380,785)</u>	<u>-</u>	<u>(380,785)</u>
(4,576,856)	-	(4,576,856)
-	(88,106)	(88,106)
<u>-</u>	<u>(1,333,936)</u>	<u>(1,333,936)</u>
-	(1,422,042)	(1,422,042)
(4,576,856)	(1,422,042)	(5,998,898)
2,009,717	1,598,827	3,608,544
<u>333,491</u>	<u>98,149</u>	<u>431,640</u>
2,343,208	1,696,976	4,040,184
(2,233,648)	274,934	(1,958,714)
<u>49,321</u>	<u>(26,048,279)</u>	<u>(25,998,958)</u>
<u><b>\$ (2,184,327)</b></u>	<u><b>\$ (25,773,345)</b></u>	<u><b>\$ (27,957,672)</b></u>

# **Charter Township of Van Buren**

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## **Notes to Financial Statements December 31, 2006**

### **Note 1 - Nature of Business and Significant Accounting Policies**

The accounting policies of the Charter Township of Van Buren (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Van Buren:

#### **Reporting Entity**

The Charter Township of Van Buren is governed by an elected seven-member board of trustees. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township (see discussion below for description).

#### **Discretely Presented Component Units**

The Downtown Development Authority (the DDA) was created to correct and prevent deterioration in a specific district, encourage historical preservation, and to promote economic growth within the specific district. The DDA's governing body, which consists of 11 individuals, is selected by the board of trustees. In addition, the DDA's budget is subject to approval by the board of trustees. Complete financial reports can be obtained from the Charter Township of Van Buren at 46425 Tyler Road, Van Buren Township, Michigan 48111.

The Local Development Authority (the LDFA) was created to encourage local development to prevent conditions of unemployment and promote economic growth. This purpose is accomplished by the LDFA by collecting captured property taxes under a tax increment financing plan in accordance with state law and budgeting expenditures for improvements in the LDFA's district boundaries. The LDFA's governing body, which consists of 11 individuals, is selected by the board of trustees. Complete financial reports can be obtained from the Charter Township of Van Buren at 46425 Tyler Road, Van Buren Township, Michigan 48111.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets (deficit) and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

# Charter Township of Van Buren

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## Notes to Financial Statements December 31, 2006

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability. All other revenue items are considered to be available only when cash is received by the Township.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

# Charter Township of Van Buren

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## Notes to Financial Statements December 31, 2006

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

The Township reports the following major governmental funds:

**General Fund** - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Landfill Fund** - The Landfill Fund accounts for royalty payments received related to the landfill.

**Capital Improvement Fund** - The Capital Improvement Fund accounts for capital projects activity within the Township.

**Belle Harbor/Lake Crest Paving Fund** - The Belle Harbor/Lake Crest Paving Fund accounts for the construction activity and the associated special assessment receivable within a special assessment district.

The Township reports the following major proprietary fund:

**Water and Sewer Fund** - The Water and Sewer Fund is used to account for the results of operations that provide water and sewer services to residents, financed primarily by a user charge for the provision of those services and a local property tax levy.

Additionally, the Township reports the following fiduciary activity:

**Agency Funds** - The Agency Funds account for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities), and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.



# **Charter Township of Van Buren**

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## **Notes to Financial Statements December 31, 2006**

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Township's policy is to first apply restricted resources.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Property taxes to be used for capital costs and debt service are recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

#### **Property Tax Revenue**

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2005 ad valorem tax is levied and collectible on December 1, 2005 and is recognized as revenue in the year ended December 31, 2006, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2005 taxable valuation of the Township totaled \$999,559,743 (a portion of which is abated and a portion of which is captured by the LDFA and the DDA), on which ad valorem taxes levied consisted of .9155 mills for operating purposes, 2.9709 mills for public safety, and 5.562 mills for water and sewer. This resulted in \$814,000 for operating, \$2,644,000 for public safety, and \$5,423,000 for water and sewer. These amounts are recognized in the respective General and Water and Sewer Funds financial statements as tax revenue.

#### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. To the extent that cash from various funds has been pooled in an investment vehicle, related investment income is allocated to each fund based on relative participation in the pool, except that Agency Fund's investment earnings are allocated to the General Fund.

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2006

### Note I - Nature of Business and Significant Accounting Policies (Continued)

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

**Prepaid Items** - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets** - Restricted assets of the Capital Improvement Fund represent unspent bond proceeds required to be set aside for construction. Restricted assets of the Water and Sewer Fund represent amounts on deposit at the county and property tax collections to be used for the capital costs or debt service of the Township's water and sewer lines. The Downtown Development Authority Bonds and the Local Development Finance Authority Bonds require amounts to be set aside for debt service principal and interest and bond reserves.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Utility system	50 years
Land improvements	15 years
Buildings and improvements	50 years
Equipment and furniture	5 to 10 years
Vehicles	5 years
French Landing dam	50 years

# Charter Township of Van Buren

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## Notes to Financial Statements December 31, 2006

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

**Compensated Absences (Vacation and Sick Leave)** - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2006

### Note 2 - Stewardship, Compliance, and Accountability

**Construction Code Fees** - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Shortfall at January 1, 2006		\$	(593,367)
Current year building permit revenue			576,406
Related expenses:			
Direct costs	\$	703,096	
Estimated indirect costs		<u>154,670</u>	<u>857,766</u>
Current year shortfall			<u>(281,360)</u>
Cumulative shortfall at December 31, 2006		\$	<u>(874,727)</u>

**Fund Deficits** - The deficit in the Lohr Road Fund of \$59,247 and the Belle Harbor/Lake Crest Paving Fund of \$876,928 will be eliminated in future years as special assessment district collections are received.

The accumulated deficit in the Community Development Block Grant Fund of \$7,645 will be eliminated upon receipt of a reimbursement from the county.

### Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all the state statutory authority as listed above. The component units' investment policies mirror that of the Township.

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2006

### Note 3 - Deposits and Investments (Continued)

The Township has designated nine banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

The Township and component units' cash and investments are subject to several types of risk, which are examined in more detail below:

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$29,979,478 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. Additionally, the Township holds \$3,300,000 in negotiable certificates of deposit which are entirely covered by FDIC insurance. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Interest Rate Risk** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy states that limitations on instruments, diversification, and maturity scheduling shall depend upon whether the funds being invested are considered short-term or long-term funds. With the exception of debt service, capital improvement, and special assessment funds, all funds shall be considered short-term and shall be invested in instruments whose maturities do not exceed two years at the time of purchase. Additionally, commercial paper can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
U.S. governmental securities	\$ 7,450,000	13.70 months
Negotiable certificates of deposit	3,300,000	10.83 months

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2006

### Note 3 - Deposits and Investments (Continued)

**Credit Risk** - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Bank investment pool	\$ 4,127,789	AI/PI/FI	S&P
Bank investment pool	2,068,005	Not rated	N/A
Negotiable certificates of deposit	3,030,000	Not rated	N/A
Governmental securities	7,450,000	AAA	S&P

**Component Units** - The component units had bank deposits subject to custodial credit risk (uninsured and uncollateralized) of \$5,295,825. Their investment included \$1,062,017 of bank investment pools with a credit rating of AI/PI/FI as rated by S&P.

### Note 4 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance January 1, 2006	Reclassifications	Additions	Disposals	Balance December 31, 2006
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land	\$ 2,144,415	\$ -	\$ 2,216,254	\$ -	\$ 4,360,669
Construction in progress	705,482	(705,482)	624,503	-	624,503
Subtotal	2,849,897	(705,482)	2,840,757	-	4,985,172
Capital assets being depreciated:					
Land improvements	739,407	-	67,018	-	806,425
Building and improvements	5,843,516	705,482	3,789,595	-	10,338,593
Equipment and furniture	2,573,973	-	388,986	-	2,962,959
Vehicles	3,439,886	-	80,601	(171,524)	3,348,963
French Landing Dam	2,809,800	-	-	-	2,809,800
Subtotal	15,406,582	705,482	4,326,200	(171,524)	20,266,740
Accumulated depreciation:					
Land improvements	92,026	-	46,579	-	138,605
Building and improvements	1,277,605	-	171,160	-	1,448,765
Equipment and furniture	1,700,453	-	361,498	-	2,061,951
Vehicles	2,143,992	-	232,996	(171,524)	2,205,464
French Landing Dam	1,742,076	-	19,812	-	1,761,888
Subtotal	6,956,152	-	832,045	(171,524)	7,616,673
Net capital assets being depreciated	8,450,430	705,482	3,494,155	-	12,650,067
Net capital assets	\$ 11,300,327	\$ -	\$ 6,334,912	\$ -	\$ 17,635,239

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2006

### Note 4 - Capital Assets (Continued)

	Balance January 1, 2006	Reclassifications*	Additions	Disposals and Adjustments	Balance December 31, 2006
<b>Business-type Activities</b>					
Capital assets not being depreciated -					
Construction in progress	\$ 1,384,600	\$ (1,081,626)	\$ 1,638,776	\$ -	\$ 1,941,750
Capital assets being depreciated:					
Building	306,325	-	-	-	306,325
Utility system	66,338,203	1,081,626	1,120,552	-	68,540,381
Machinery and equipment	366,407	-	9,024	-	375,431
Office equipment	81,771	-	19,827	-	101,598
Vehicles	412,700	-	44,386	-	457,086
Subtotal	67,505,406	1,081,626	1,193,789	-	69,780,821
Accumulated depreciation:					
Building	60,069	-	6,122	-	66,191
Utility system	22,207,023	-	1,467,432	-	23,674,455
Machinery and equipment	284,108	-	56,625	-	340,733
Office equipment	65,441	-	9,062	-	74,503
Vehicles	213,743	-	49,870	-	263,613
Subtotal	22,830,384	-	1,589,111	-	24,419,495
Net capital assets being depreciated	44,675,022	1,081,626	(395,322)	-	45,361,326
Net capital assets	\$ 46,059,622	\$ -	\$ 1,243,454	\$ -	\$ 47,303,076

\* The Township reclassified the certain building projects and water and sewer utility construction projects from construction in progress to reflect the assets placed in service during the year ended December 31, 2006.

	Balance January 1, 2006	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2006
<b>Component Unit Activities</b>					
Capital assets being depreciated -					
Land improvements	\$ 1,290,835	\$ -	\$ -	\$ -	\$ 1,290,835
Accumulated depreciation -					
Land improvements	301,248	-	73,119	-	374,367
Net capital assets being depreciated	\$ 989,587	\$ -	\$ (73,119)	\$ -	\$ 916,468

Depreciation expense was charged to programs of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 128,450
Public safety	520,294
Community and economic development	32,119
Recreation and culture	151,182
Total governmental activities	<u>\$ 832,045</u>

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2006

### Note 4 - Capital Assets (Continued)

Business-type activities - Water and Sewer	<u>\$ 1,589,111</u>
Component unit activities - Downtown Development Authority	<u>\$ 73,119</u>

**Construction Commitments** - The Township has active construction projects at year end. At year end, the Township's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Fire Station #1	\$ 3,425,500	\$ 3,313,967
EQ Basin Design - Wade Trim	943,400	763,731
EQ Basin Design - Six S	2,845,139	2,782,651
EQ Basin Design - Walbridge Adlinger	6,275,000	5,721,882
Van Buren Park comfort station	489,058	7,391
Total	<u>\$ 13,978,097</u>	<u>\$ 12,589,622</u>

### Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Due to/from Other Funds</b>		
General Fund	Nonmajor governmental funds	\$ 10,727
Landfill Fund	BelleHarbor/Lake Crest Paving Fund	1,241,180
	Nonmajor governmental funds	59,640
	Total Landfill Fund	1,300,820
Capital Improvement Fund	General Fund	3,000
	Total	<u>\$ 1,314,547</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.



# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2006

### Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund Providing Resources</u>	<u>Fund Receiving Resources</u>	<u>Amount</u>
Landfill Fund	General Fund	\$ 3,300,000
	Capital Improvement Fund	91,564
	Total Landfill Fund	3,391,564
Other governmental funds	General Fund	437,948
	Total	<u>\$ 3,829,512</u>

The transfers from the Landfill Fund to the General Fund represents royalties received from Waste Management, Inc., of which \$2,950,000 represents the use of unrestricted resources to finance general government operations, in accordance with budgetary authorizations. The remaining funds received by the Landfill Fund from Waste Management, Inc. and transferred to the General Fund are for the following purposes: \$200,000 for public health safety and welfare; \$100,000 for parks and recreation beautification and improvements; and \$50,000 for environmental protections.

The transfers from the Landfill Fund to the Capital Improvement Fund represents funds used for construction of capital assets within the Township.

The transfers from the other governmental funds to the General Fund represent net assets being transferred out due to the closure of a fund.

### Note 6 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. County contractual agreements and State revolving funds are obligations of the Water and Sewer Fund. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

The employee compensated absences represent the estimation liability to be paid to employees under the Township's vacation policy. Under the Township's policy, employees earn vacation time based on the time of service with the Township.

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2006

### Note 6 - Long-term Debt (Continued)

Description	Amount
<b>Governmental Activities</b>	
General obligations - Capital improvement bonds, series 2006 (general obligation limited tax), bearing interest from 3.75% to 4.375%, maturing in 2022	\$ 5,165,000
Installment purchase obligation - Pierce Class "A" Fire Truck, original issue of \$385,079, bearing interest of 4.37%, maturing in 2008	161,809
Total governmental activity debt	<u>\$ 5,326,809</u>
<b>Business-type Activities</b> - Contractual obligations with Wayne County and other long-term debt	
1994 Wastewater Refunding Bonds, amount of issue - \$677,368, bearing interest of 6%, maturing through 2009	\$ 187,502
Downriver Sewage Disposal Bonds, Series A, amount of issue - \$73,539, bearing interest from 4.5% to 5.125%, maturing through 2013	52,424
Downriver Sewage Disposal System Bonds, Partial Completion Bonds, amount of issue - \$283,580, bearing interest from 4.5% to 5.125%, maturing through 2018	206,754
State Revolving Fund - Downriver Sewage Disposal System Bonds, amount of issue - \$2,364,903, bearing interest of 2%, maturing through 2021	1,437,285
South Huron Valley Wastewater Control System: SRF Expansion Bonds, amount of issue - \$26,307,133, bearing interest of 2.25%, maturing through 2020	5,721,116
Deferred amount on refunding	(22,023)
South Huron Valley Wastewater Control System Bonds - SRF, amount of issue - \$1,803,964, bearing interest of 2%, maturing through 2011	567,930
State Revolving Loan Fund, 2006, amount of issue \$12,025,000, bearing interest of 1.625%, maturing through 2011	1,752,411
Total business-type activities	<u>\$ 9,903,399</u>

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2006

### Note 6 - Long-term Debt (Continued)

Description	Amount
<b>Component Units Activities</b>	
Refunding Bonds:	
2005 Refunding Bonds, amount of original issue - \$4,440,000, bearing interest from 3.5% to 5%, maturing in 2015	\$ 4,080,000
Deferred amount on refunding	(73,623)
2006 LDFA Tax Increment Refunding Bonds, Series 2006, amount of original issue - \$19,200,000, bearing interest from 4% to 5%, maturing in 2031	19,200,000
Deferred amount on refunding	(590,590)
Subtotal	22,615,787
Tax Increment Bonds - Tax Increment Bonds - Series 2003, amount of issue \$6,589,656, bearing interest from 5.27% to 5.38%, maturing through 2032	6,589,656
Revenue Bonds - 2005 Revenue Bond, amount of issue - \$4,405,000, bearing interest from 3% to 5%, maturing through 2025	4,260,000
Total component unit activity debt	<u>\$ 33,465,443</u>

Long-term debt activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
General obligations	\$ -	\$ 5,165,000	\$ -	\$ 5,165,000	\$ 235,000
Installments purchase obligations	237,568	-	(75,759)	161,809	79,139
Total	<u>\$ 237,568</u>	<u>\$ 5,165,000</u>	<u>\$ (75,759)</u>	<u>\$ 5,326,809</u>	<u>\$ 314,139</u>
Compensated absences	<u>\$ 70,030</u>	<u>\$ 1,926</u>	<u>\$ -</u>	<u>\$ 71,956</u>	<u>\$ -</u>
<b>Business-type Activities</b>					
Contractual obligations with Wayne County and other debt	\$ 8,916,629	\$ 1,752,411	(765,642)	\$ 9,903,398	\$ 642,675
Compensated absences	<u>\$ 22,014</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,014</u>	<u>\$ -</u>

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2006

### Note 6 - Long-term Debt (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Component Unit Activities</b>					
Refunding bonds	\$ 4,359,015	\$ 18,584,802	\$ (328,030)	\$ 22,615,787	\$ 353,030
Tax increment bonds	27,154,656	-	(20,565,000)	6,589,656	-
Revenue bonds	4,405,000	-	(145,000)	4,260,000	145,000
<b>Total</b>	<b>\$ 35,918,671</b>	<b>\$ 18,584,802</b>	<b>\$ (21,038,030)</b>	<b>\$ 33,465,443</b>	<b>\$ 498,030</b>

The Township has committed its full faith and credit for all debt outstanding for the Local Development Finance Authority.

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities			Component Unit Activities		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 314,139	\$ 221,265	\$ 535,404	\$ 652,114	\$ 217,634	\$ 869,748	\$ 530,000	\$ 1,268,962	\$ 1,798,962
2008	327,670	208,334	536,004	1,182,513	204,822	1,387,335	765,000	1,246,637	2,011,637
2009	255,000	194,846	449,846	1,203,705	178,783	1,382,488	1,100,000	1,210,462	2,310,462
2010	265,000	184,646	449,646	1,162,732	154,198	1,316,930	1,145,000	1,166,236	2,311,236
2011	275,000	174,046	449,046	834,641	131,043	965,684	805,000	1,130,469	1,935,469
2012-2016	1,555,000	698,944	2,253,944	2,765,636	440,946	3,206,582	5,190,000	4,995,519	10,185,519
2017-2021	1,905,000	348,482	2,253,482	2,124,081	117,948	2,242,029	10,300,000	3,154,497	13,454,497
2022-2026	430,000	18,812	448,812	-	-	-	7,677,974	5,935,047	13,613,021
2027-2031	-	-	-	-	-	-	5,950,379	10,648,996	16,599,375
2032-2036	-	-	-	-	-	-	666,303	2,383,697	3,050,000
<b>Total</b>	<b>\$ 5,326,809</b>	<b>\$ 2,049,375</b>	<b>\$ 7,376,184</b>	<b>\$ 9,925,422</b>	<b>\$ 1,445,374</b>	<b>\$ 11,370,796</b>	<b>\$ 34,129,656</b>	<b>\$ 33,140,522</b>	<b>\$ 67,270,178</b>

**Advance and Current Refundings** - During the year, the Local Development Finance Authority issued \$19,200,000 in tax increment revenue refunding bonds with an average interest rate of 4.64 percent. The proceeds of these bonds were used to advance refund \$19,920,000 of outstanding tax increment revenue bonds with an average interest rate of 5.02 percent. The net proceeds of \$19,013,860 (after payment of \$350,477 in underwriting fees, insurance, and other issuance costs) plus an additional \$1,521,338 of debt service reserve monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the government-wide statement of net assets. The advance refunding increased total debt service payments over the next 25 years by approximately \$2,150,000, but resulted in an economic gain of approximately \$126,000.

**Defeased Debt** - In prior years, the Downtown Development Authority defeased certain bonds by placing the proceeds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the financial statements. At December 31, 2006, \$4,225,000 of bonds outstanding are considered to be defeased.

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2006

### Note 7 - Restricted Assets

The balances for the restricted asset accounts are as follows:

	Governmental Activities	Business-type Activities	Component Units
Net assets held by Wayne County	\$ -	\$ 1,516,645	\$ -
Cash and equivalents:			
Property tax collections	-	19,662,837	-
Bond reserve	-	-	2,336,243
Unspent bond proceeds	2,903,204	-	-
Total restricted assets	<u>\$ 2,903,204</u>	<u>\$ 21,179,482</u>	<u>\$ 2,336,243</u>

Enterprise Fund net assets totaling \$1,516,645 are restricted for water line and sewer system construction, replacement, and improvement and debt service. These restricted assets result from the issuance of debt or the receipt of contributed capital and, therefore, it is not necessary to restrict net assets. The remaining balance of \$19,662,837 is from property tax collections and is restricted for debt service payments. Net assets have been restricted for this amount.

Restricted assets in the Downtown Development Authority are restricted for the purpose of the 2005A Tax Increment Revenue Bonds and the 2005B Tax Incremental Revenue Refunding Bonds debt service requirements. Net assets have been restricted for \$1,062,017. Restricted assets in the Local Development Finance Authority are restricted for the 2003 revenue bond debt service requirements. Net assets have been restricted for \$1,274,226.

### Note 8 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for employee injuries and medical benefits, and participates in the risk pool for claims relating to property loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Township.

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2006

### Note 8 - Risk Management (Continued)

The Township estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the government-wide statements and the Water and Sewer Fund. Changes in the estimated liability for the past two fiscal years were as follows:

	2006	2005
Claims incurred - Including changes in estimates	\$ 210,242	\$ 54,573
Claim payments	(210,242)	(54,573)
Unpaid claims - End of year	\$ -	\$ -

### Note 9 - Defined Contribution Pension Plan

The Township provides pension benefits to all its full-time salaried employees, AFSCME employees, and paid on-call firefighters through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate as of the first day of the next month after employment. As established by union or employee contractual agreements with general governmental employees, the Township contributes 12 percent of employees' base earnings and employees contribute a minimum of 5 percent of earnings, with the option of contributing up to 15 percent. In accordance with these requirements, the Township contributed approximately \$354,000 during the current year, and employees contributed approximately \$173,000.

### Note 10 - Defined Benefit Pension Plan

**Plan Description** - The Township's police command, police officers, and dispatch employees participate in the Michigan Municipal Employees' Retirement System (the "System"), an agent multiple-employer defined benefit pension plan. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

**Funding Policy** - The obligation to contribute to and maintain the System for these employees was established by negotiation with the Township's competitive bargaining units and arbitration rulings under Michigan Public Act 312 of 1969 and requires a contribution from the employees of 5.63 percent and 8.55 percent of base wages for police patrol/dispatch and police command, respectively. Additionally, the Township contributes 12 percent of base wages for the police patrol/dispatch and command annually.

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2006

### Note 10 - Defined Benefit Pension Plan (Continued)

**Annual Pension Cost** - For the year ended December 31, 2006, the Township's annual pension cost of \$343,482 for the plan was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, and (b) projected salary increases of 4.5 percent per year, attributable to inflation plus additional salary increases attributable to seniority/merit. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

Three-year trend information is as follows:

	Fiscal Year Ended December 31		
	2004	2005	2006
Annual pension cost (APC)	\$ 79,828	\$ 300,481	\$ 343,482
Percentage of APC contributed	100.0 %	100.0 %	100.0 %

	Fiscal Year Ended December 31	
	2004	2005
Actuarial value of assets	\$ 1,519,751	\$ 2,940,388
Actuarial accrued liability (AAL) (entry age)	3,195,037	5,018,212
Unfunded AAL (UAAL)	1,675,286	2,077,824
Funded ratio	47.6 %	58.6 %
Covered payroll	2,032,889	2,329,824
UAAL as a percentage of covered payroll	82.4 %	89.2 %

### Note 11 - Contingent Liabilities

The Township, along with several other communities in the Downriver Sewer Disposal System, was involved in litigation brought by the U.S. Environmental Protection Agency related to violations of the U.S. Clean Water Act. As a result of the violations, the communities are obligated to upgrade the system. The Township issued bonds approximating \$2,722,000 to pay for costs related to the system improvements. The modifications to the system are substantially complete; however, final completion bonds and capital improvement bonds of approximately \$202,000 are expected to be issued during 2007.

# Charter Township of Van Buren

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## Notes to Financial Statements December 31, 2006

### **Note 12 - Other Postemployment Benefits**

The Township provides health care benefits to all full-time employees meeting age and years of service requirements, upon retirement, in accordance with labor contracts. Currently, 12 retirees are eligible. The Township includes pre-Medicare retirees and their spouses (with a copay) in its insured health care plan. The Township purchases supplemental insurance for eligible retirees.

Expenditures for postemployment health care benefits are recognized in the General and Water and Sewer Funds as the insurance premiums become due; during the year, this amounted to approximately \$95,000 and \$13,000 respectively.

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2008.

### **Note 13 - Joint Ventures**

The Township is a member of the South Huron Valley Utility Authority (the "Utility Authority"). The Utility Authority is a joint venture of the charter townships of Brownstown, Huron, and Van Buren, the cities of Flat Rock, Gibraltar, Romulus, and Woodhaven, and the village of South Rockwood. The Utility Authority was founded in order to acquire and operate a sewage disposal and wastewater treatment system. During the year, the Township contributed \$501,624 toward the operation of the system. In addition, debt payments of \$600,185, including both principal and interest, were made to the Utility Authority. The Township's portion of the debt is recorded in the Township's Water and Sewer Fund. The Township's share of the capital assets and net operating excess is also reflected in the Water and Sewer Fund. Complete financial statements for the Utility Authority can be obtained from the administrative offices at 46425 Tyler Road, Belleville, MI 48111. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.



# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2006

### Note 13 - Joint Ventures (Continued)

The Township, along with 12 other communities, jointly participates in the Downriver Sewage Disposal System. The Township's share of capital assets, restricted assets (for debt service), excess operating assets, and related debt is recorded in the Water and Sewer Fund. During the year, the Township paid \$219,803 for operations of the system and \$161,514 for debt service. Complete financial statements can be obtained from the administrative offices at 415 Clifford, Detroit, MI 48226. The Township is unaware of any circumstances that would cause additional benefit or burden to the participating governments in the near future other than the items noted in Note 11.

The Township is a member of a joint venture with the City of Belleville and Sumpter Township. The purpose is to provide library services to the residents of all participating communities. The participating communities provide annual funding for its operations, and it is the City of Belleville's responsibility to account for and remit these funds to Wayne County for services provided. During the current year, the Township contributed approximately \$426,000 for its operations. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the joint venture can be obtained from the administrative offices at 6 Main Street, Belleville, MI.

### Note 14 - Designated Fund Balance

Fund balances have been designated for the following purposes:

	General Fund	Landfill Fund	Capital Improvement Fund
Senior center bequest fund	\$ 16,071	\$ -	\$ -
Estimated future insurance claims	250,000	-	-
French Landing dam improvement	117,500	-	-
Fire equipment replacement	284,133	-	-
Computer networking equipment	20,000	-	-
Sidewalk maintenance	25,000	-	-
Compensated absences	70,176	-	-
Land and municipal facilities purchases	800,000	-	-
Property acquisition	-	1,000,000	-
Capital improvement	-	-	447,861
Retiree health care	-	270,000	-
Debt service	-	3,456,000	-
Designated for subsequent year's budgeted expenditures in excess of budgeted revenue	593,094	-	-
Total	\$ 2,175,974	\$ 4,726,000	\$ 447,861

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2006

### Note 15 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Governmental Funds		Enterprise Funds
	Unavailable	Unearned	
Property taxes levied for 2006	\$ -	\$ 4,252,580	\$ 6,140,786
Special assessments	1,472,695	-	-
Grants not received within 60 days after year end	557,854	-	-
Program income not spent by December 31, 2006	-	15,600	-
Total	<u>\$ 2,030,549</u>	<u>\$ 4,268,180</u>	<u>\$ 6,140,786</u>

## **Required Supplemental Information**

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# Charter Township of Van Buren

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 768,500	\$ 813,200	\$ 818,573	\$ 5,373
Public safety tax revenue	2,490,000	2,640,000	2,644,200	4,200
Licenses and permits	1,372,320	737,720	714,266	(23,454)
State shared revenue and grants	1,910,700	1,928,260	1,993,368	65,108
Other charges for services	554,650	660,628	675,675	15,047
Other fines and forfeitures	723,916	624,000	583,334	(40,666)
Investment income	180,000	250,000	282,591	32,591
Other revenue	1,159,839	858,004	867,128	9,124
Total revenue	9,159,925	8,511,812	8,579,135	67,323
<b>Expenditures - Current</b>				
General government:				
Township board	163,202	180,502	167,305	13,197
Supervisor	200,363	207,654	203,952	3,702
Accounting	55,000	72,805	72,805	-
IT department	247,500	265,855	236,100	29,755
Treasurer	301,394	301,394	290,742	10,652
Assessing	290,138	237,471	230,868	6,603
General office	105,500	107,500	87,701	19,799
Clerk	371,951	371,851	351,921	19,930
Elections	89,500	101,238	81,255	19,983
Buildings and grounds	643,800	640,500	620,600	19,900
Attorney	300,000	500,000	497,897	2,103
Cemetery	6,550	4,050	2,632	1,418
Total general government	2,774,898	2,990,820	2,843,778	147,042
Public safety:				
Police	4,895,195	4,729,521	4,514,778	214,743
Dispatch	580,848	599,668	561,084	38,584
Fire	953,611	985,039	930,486	54,553
Emergency management	11,800	3,500	3,293	207
Building	1,386,969	880,361	878,872	1,489
Animal control	63,458	57,258	57,753	(495)
Total public safety	7,891,881	7,255,347	6,946,266	309,081

# Charter Township of Van Buren

## Required Supplemental Information (Continued) Budgetary Comparison Schedule - General Fund Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Expenditures (Continued)</b>				
Public works - Contracted services	\$ 134,500	\$ 141,375	\$ 155,811	\$ (14,436)
Community and economic development - Environmental management	133,705	93,120	79,140	13,980
Recreation and culture:				
Library	423,956	426,045	426,045	-
Parks and lakes	391,330	375,435	868,222	(492,787)
Senior citizens	189,243	161,451	156,817	4,634
Recreation	368,428	375,823	327,173	48,650
Community services	147,800	147,475	144,479	2,996
Total recreation and culture	1,520,757	1,486,229	1,922,736	(436,507)
Other - Insurance and other	594,750	595,950	577,195	18,755
Total expenditures	13,050,491	12,562,841	12,524,926	37,915
<b>Excess of Expenditures Over Revenue</b>	(3,890,566)	(4,051,029)	(3,945,791)	105,238
<b>Other Financing Sources -</b>				
Transfers in	3,300,000	3,690,920	3,737,948	47,028
<b>Net Change in Fund Balance</b>	(590,566)	(360,109)	(207,843)	152,266
<b>Fund Balance - Beginning of year</b>	2,516,377	3,078,414	3,078,414	-
<b>Fund Balance - End of year</b>	<u>\$ 1,925,811</u>	<u>\$ 2,718,305</u>	<u>\$ 2,870,571</u>	<u>\$ 152,266</u>

# Charter Township of Van Buren

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Landfill Fund Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Investment income	\$ 120,000	\$ 324,000	\$ 378,431	\$ 54,431
Landfill royalties	3,143,400	3,143,400	2,979,071	(164,329)
<b>Excess of Revenue Over Expenditures</b>	3,263,400	3,467,400	3,357,502	(109,898)
<b>Other Financing Uses -</b>				
Transfers out	(5,950,000)	(3,391,564)	(3,391,564)	-
<b>Net Change in Fund Balance</b>	(2,686,600)	75,836	(34,062)	(109,898)
<b>Fund Balance - Beginning of year</b>	8,478,595	8,714,018	8,714,018	-
<b>Fund Balance - End of year</b>	<u><u>\$ 5,791,995</u></u>	<u><u>\$ 8,789,854</u></u>	<u><u>\$ 8,679,956</u></u>	<u><u>\$ (109,898)</u></u>

# Charter Township of Van Buren

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Capital Improvement Fund Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b> - Investment income	\$ 10,000	\$ 100,000	\$ 115,393	\$ 15,393
<b>Expenditures</b> - Current -				
Public safety	2,300,000	2,450,488	2,595,529	(145,041)
<b>Excess of Expenditures Over Revenue</b>	(2,290,000)	(2,350,488)	(2,480,136)	(129,648)
<b>Other Financing Sources</b>				
Proceeds from issuance of debt	-	5,165,000	5,165,000	-
Transfers in	2,300,000	91,564	91,564	-
Total other financing sources	2,300,000	5,256,564	5,256,564	-
<b>Net Change in Fund Balance</b>	10,000	2,906,076	2,776,428	(129,648)
<b>Fund Balance</b> - Beginning of year	446,942	463,104	463,104	-
<b>Fund Balance</b> - End of year	<u>\$ 456,942</u>	<u>\$ 3,369,180</u>	<u>\$ 3,239,532</u>	<u>\$ (129,648)</u>

# Charter Township of Van Buren

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Belle Harbor/Lake Crest Paving Fund Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Special assessments receivable	\$ -	\$ 42,416	\$ 110,351	\$ 67,935
Other miscellaneous income	-	861	308,033	307,172
Total revenue	-	43,277	418,384	375,107
<b>Expenditures - Current -</b>				
Public works	-	1,368,948	1,167,735	201,213
<b>Excess of Expenditures Over Revenue</b>	-	(1,325,671)	(749,351)	576,320
<b>Other Financing Sources -</b>				
Proceeds from issuance of debt	-	1,368,948	-	(1,368,948)
<b>Net Change in Fund Balance</b>	-	43,277	(749,351)	(792,628)
<b>Fund Balance - Beginning of year</b>	(127,577)	(127,577)	(127,577)	-
<b>Fund Balance - End of year</b>	<u>\$ (127,577)</u>	<u>\$ (84,300)</u>	<u>\$ (876,928)</u>	<u>\$ (792,628)</u>



# **Charter Township of Van Buren**

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## **Note to Required Supplemental Information Year Ended December 31, 2006**

**Budgetary Information** - The annual budgets are prepared by the Township treasurer and adopted by the Township board; subsequent amendments are approved by the Township board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2006 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds, with the exception of certain federal revenue being budgeted as an offset to the related expenditures being reimbursed.

Budgets were adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget and Major Special Revenue Funds budgets as adopted by the Township board is included in the required supplemental information.

This comparison includes expenditure budget overruns. A comparison of the actual results of operations to the nonmajor Special Revenue Funds budgets as adopted by the Township board is available at the clerk's office for inspection.

The only significant expenditure budget overruns for the year ended December 31, 2006 were in the parks and lakes department in the General Fund due to revenue that was budgeted to offset certain expenditures not being received within 60 days of year end, and in the public safety department in the Capital Improvement Fund due to costs being higher than anticipated for construction.

## **Other Supplemental Information**

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# Charter Township of Van Buren

	Special Revenue Funds			
	Community Development Block Grant	Drug Forfeiture - Federal	Drug Forfeiture - State	911 Service
<b>Assets</b>				
Cash and investments	\$ 12,492	\$ 74,727	\$ 53,483	\$ 491,682
Receivables:				
Special assessments receivable	-	-	-	-
Due from other governments	11,603	-	-	-
Prepaid expenditures	-	-	-	-
Total assets	<u>\$ 24,095</u>	<u>\$ 74,727</u>	<u>\$ 53,483</u>	<u>\$ 491,682</u>
<b>Liabilities and Fund Balances (Deficit)</b>				
<b>Liabilities</b>				
Accounts payable	\$ 60	\$ -	\$ 65	\$ -
Due to other funds	10,727	-	-	-
Accrued and other liabilities	1,000	-	-	-
Deferred revenue	19,953	-	-	-
Total liabilities	31,740	-	65	-
<b>Fund Balances (Deficit)</b>				
Reserved	-	74,727	53,418	491,682
Unreserved	(7,645)	-	-	-
Total fund balances (deficit)	<u>(7,645)</u>	<u>74,727</u>	<u>53,418</u>	<u>491,682</u>
Total liabilities and fund balances (deficit)	<u>\$ 24,095</u>	<u>\$ 74,727</u>	<u>\$ 53,483</u>	<u>\$ 491,682</u>

**Other Supplemental Information**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**December 31, 2006**

Special Revenue Funds					Total Nonmajor Governmental Funds
Museum	Cable	Bemis Road Project	Lohr Road Project	Venetian DeWitt Paving	
\$ 13,464	\$ -	\$ 106,247	\$ 93	\$ -	\$ 752,188
-	-	-	82,671	-	82,671
-	-	-	-	-	11,603
663	-	-	-	-	663
<u>\$ 14,127</u>	<u>\$ -</u>	<u>\$ 106,247</u>	<u>\$ 82,764</u>	<u>\$ -</u>	<u>\$ 847,125</u>
\$ 722	\$ -	\$ -	\$ -	\$ -	\$ 847
-	-	-	59,640	-	70,367
996	-	-	-	-	1,996
500	-	-	82,671	-	103,124
2,218	-	-	142,311	-	176,334
11,909	-	106,247	-	-	737,983
-	-	-	(59,547)	-	(67,192)
11,909	-	106,247	(59,547)	-	670,791
<u>\$ 14,127</u>	<u>\$ -</u>	<u>\$ 106,247</u>	<u>\$ 82,764</u>	<u>\$ -</u>	<u>\$ 847,125</u>

# Charter Township of Van Buren

	Special Revenue Funds			
	Community Development Block Grant	Drug Forfeiture - Federal	Drug Forfeiture - State	911 Service
<b>Revenue</b>				
Federal grants	\$ 264,274	\$ -	\$ -	\$ -
Investment income	-	2,654	1,778	20,893
Other revenue:				
Special assessments	-	-	-	-
Contributions and donations	-	-	-	-
Cable franchise fees	-	-	-	-
Other income	-	2,000	16,660	98,904
Total revenue	264,274	4,654	18,438	119,797
<b>Expenditures</b>				
Public safety	-	19,940	3,529	22,493
Public works	-	-	-	-
Community and economic development	155,225	-	-	-
Recreation and culture	-	-	-	-
Total expenditures	155,225	19,940	3,529	22,493
<b>Excess of Revenue Over (Under)     Expenditures</b>	109,049	(15,286)	14,909	97,304
<b>Other Financing Uses -</b>				
Transfers out	-	-	-	-
<b>Net Change in Fund Balances</b>	109,049	(15,286)	14,909	97,304
<b>Fund Balances (Deficit) - Beginning of     year</b>	(116,694)	90,013	38,509	394,378
<b>Fund Balances (Deficit) - End of year</b>	<u>\$ (7,645)</u>	<u>\$ 74,727</u>	<u>\$ 53,418</u>	<u>\$ 491,682</u>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes in**  
**Fund Balances (Deficit)(Continued)**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2006**

Special Revenue Funds					Total Nonmajor Governmental Funds
Museum	Cable	Bemis Road Project	Lohr Road Project	Venetian DeWitt Paving	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 264,274
869	16,525	4,752	322	-	47,793
-	-	-	16,418	5,000	21,418
72,893	-	-	-	-	72,893
-	258,123	-	-	-	258,123
-	-	-	-	-	117,564
73,762	274,648	4,752	16,740	5,000	782,065
-	-	-	-	-	45,962
-	-	-	-	56	56
-	100,780	-	-	-	256,005
78,940	-	-	-	-	78,940
78,940	100,780	-	-	56	380,963
(5,178)	173,868	4,752	16,740	4,944	401,102
-	(437,948)	-	-	-	(437,948)
(5,178)	(264,080)	4,752	16,740	4,944	(36,846)
17,087	264,080	101,495	(76,287)	(4,944)	707,637
<u>\$ 11,909</u>	<u>\$ -</u>	<u>\$ 106,247</u>	<u>\$ (59,547)</u>	<u>\$ -</u>	<u>\$ 670,791</u>

# **Charter Township of Van Buren**

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**Federal Awards  
Supplemental Information  
December 31, 2006**

# Charter Township of Van Buren

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## Independent Auditor's Report

To the Township Board  
Charter Township of Van Buren

We have audited the basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Van Buren as of and for the year ended December 31, 2006, and have issued our report thereon dated May 9, 2007. The basic financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on the basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Van Buren's basic financial statements. The accompanying schedules of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

May 9, 2007



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Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

To the Township Board  
Charter Township of Van Buren

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Van Buren as of and for the year ended December 31, 2006, which collectively comprise the Charter Township of Van Buren's basic financial statements, and have issued our report thereon dated May 9, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Charter Township of Van Buren's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter Township of Van Buren's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charter Township of Van Buren's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the control deficiency described in the accompanying schedule of findings and questioned costs as item 06-01 to be a significant deficiency in internal control over financial reporting.

To the Township Board  
Charter Township of Van Buren

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Charter Township of Van Buren's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Charter Township of Van Buren's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Charter Township of Van Buren's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Township Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moreau, PLLC*

May 9, 2007



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## Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Township Board  
Charter Township of Van Buren

### Compliance

We have audited the compliance of the Charter Township of Van Buren with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2006. The major federal program of the Charter Township of Van Buren is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Charter Township of Van Buren's management. Our responsibility is to express an opinion on the Charter Township of Van Buren's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Charter Township of Van Buren's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Charter Township of Van Buren's compliance with those requirements.

In our opinion, the Charter Township of Van Buren complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2006.

To the Township Board  
Charter Township of Van Buren

### **Internal Control Over Compliance**

The management of the Charter Township of Van Buren is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Charter Township of Van Buren's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement for a major program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a major federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance that is material to a type of compliance requirement for a major program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance and its operation that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Township Board, management, the federal awarding agencies, and pass-through agencies, if applicable, and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

May 9, 2007

# Charter Township of Van Buren

## Schedule of Expenditures of Federal Awards Year Ended December 31, 2006

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Federal Expenditures
U.S. Environmental Protection Agency:			
Passed through Michigan Department of Environmental Quality - Capitalization Grants for Clean Water State Revolving Funds	66.458	5257-01	\$ 568,857 *
Passed through Wayne County - Rouge River National Wet Weather Demonstration Project - Storm Water Tracking System	66.606	XP-99574308-1	<u>10,932</u>
Total U.S. Environmental Protection Agency			579,789
U.S. Department of Housing and Urban Development -			
Passed through Wayne County, Michigan Community Development Block Grant	14.218	N/A	155,227
U.S. Department of Justice - Federal Equitable Sharing Program	16.unknown	N/A	<u>19,942</u>
Total federal awards			<u><b>\$ 754,958</b></u>

\* Amount is recorded in long-term debt in the basic financial statements.

# Charter Township of Van Buren

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## **Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended December 31, 2006**

Revenue from federal sources - As reported on financial statements	\$ 303,340
Minus federal revenue received relating to prior year's expenditures	(141,476)
Plus federal revenue not received within 60 days of year end in the governmental funds	4,295
Plus federal drug forfeitures reported as other revenues	19,942
Plus federal revenue not reported as such in the financial statements - Capitalization Grant proceeds for State Revolving Funds *	<u>568,857</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><b>\$ 754,958</b></u>

\* Amount is recorded in long-term debt in the basic financial statements.

# **Charter Township of Van Buren**

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## **Note to Schedule of Expenditures of Federal Awards Year ended December 31, 2006**

### **Note - Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Charter Township of Van Buren and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



# Charter Township of Van Buren

## Schedule of Findings and Questioned Costs Year Ended December 31, 2006

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X Yes \_\_\_\_\_ None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes X No

#### Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? \_\_\_\_\_ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes X None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes X No

Identification of major program(s):

CFDA Number	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes X No

# Charter Township of Van Buren

## Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2006

### Section II - Financial Statement Audit Findings

Reference Number	Findings
06-01	<p><b>Finding Type</b> - Significant deficiency</p> <p><b>Condition</b> - In connection with the Charter Township of Van Buren's financial statement audit for the year ended December 31, 2006, the Township was required to post various entries in order for its financial statements to be correctly stated.</p> <p><b>Context</b> - Historically, the Charter Township of Van Buren's auditors have recommended journal entries as part of the audit. For the audit of the Charter Township of Van Buren's year ended December 31, 2006, Statement on Auditing Standards (SAS) No. 112, <i>Communicating Internal Control Related Matters Identified in an Audit</i>, was effective. SAS 112 now defines entries of this nature to be a significant deficiency.</p> <p><b>Recommendation</b> - The Charter Township of Van Buren should attempt to post all entries prior to the start of the audit.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The Charter Township of Van Buren will focus on attempting to record all entries prior to the start of future audits.</p>

### Section III - Federal Program Audit Findings

None



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May 9, 2007

To the Board of Trustees  
Charter Township of Van Buren  
Wayne County, Michigan

New auditing rules effective December 31, 2006 have resulted in some changes in the communications that we are required to provide following our audit. These rules require us to more formally communicate matters we note about your accounting procedures and internal controls. While we have always provided our observations in these areas as part of our audit, we are now required to tell you about more items than we may have in the past and to communicate them in writing.

The new auditing standards (Statement on Auditing Standards Number 112, referred to as SAS 112) require us to inform you about any matters noted in your accounting procedures or internal controls that the new auditing standards define as a significant deficiency. The new threshold for a significant deficiency is a low one - a significant deficiency is any flaw that creates more than a remote risk of errors in your financial statements that could matter to a user of the statements. Matters that may be immaterial to the financial statements still may be classified by the new auditing standards as a significant deficiency. For example, the requirements of SAS 112 go so far as to classify certain journal entries proposed by your auditor as a significant deficiency.

We are also required to communicate these matters to more people. In the past, we have provided our comments and observations as part of a meeting or discussion at the end of our work directly to management. Under these new rules, we are obligated to communicate these matters in writing to all individuals involved in overseeing strategic direction and accountability for your operations, including the board of trustees, in addition to our communications with management. This communication is intended to comply with the requirements of the new auditing standards.

In planning and performing our audit of the financial statements of the Charter Township of Van Buren (the "Township") as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control:

- Journal entries were required during the audit to ensure the financial statement presentation was in conformity with generally accepted accounting principles. It should be noted that a number of these journal entries were related to transactions that were unusual and infrequent in nature.

Additionally, we offer the following comments and recommendations relating to legislative matters for your consideration:

### **Revenue Sharing**

The future of the State's revenue-sharing program may be directly tied to the condition of the State's budget. Reductions to statutory revenue sharing started in 2001 as shortfalls began occurring in the State's budget. The State's budget shortfalls continue to be significant. The magnitude of the State's deficit has become even more pronounced after the State's January 2007 revenue-estimating conference. According to economists, Michigan's budget is \$3 billion short of the revenue needed to cover basic services this year and next (State fiscal years 2006/2007 and 2007/2008). The outcome of other matters will also impact revenue sharing and those matters include:

- **Future of County Participation in Statutory Revenue Sharing** - In 2004, the State terminated payment of statutory revenue sharing to counties (which was approximately \$182 million) but allowed counties to move their operating tax levy to July from December. Counties are required to deposit the additional monies from the earlier levy into a "reserve fund" which is to be used by the counties to replace lost statutory revenue sharing in future years. The question that remains is when the reserve funds established by counties are depleted, will counties come back into the "revenue-sharing formula" and to what extent? Will the size of the statutory pot grow to accommodate counties or will there be a shift of the same monies from cities, villages, and townships to the counties?
- **Statutory Revenue-sharing Formula Expires in 2007** - Legislative action is required on this Act for appropriations to continue into 2008 and beyond.

- **Changing Michigan Business Tax Structure** - The Michigan Single Business Tax has been eliminated effective December 31, 2007, which will result in the loss of \$1.9 billion from the State's budget in 2008. The governor's fiscal year 2007/2008 budget recommends replacing a majority of the repealed Single Business Tax revenue with a new Michigan Business Tax and the enactment of a new excise tax on service providers. The new Michigan Business Tax (MBT) is projected to generate approximately \$480 million less annually in revenue than currently generated by the Single Business Tax but the new 2 percent excise tax on most services is projected (if effective on June 1, 2007) to raise about \$576 million in the remainder of fiscal 2006/2007 to help with State's budget deficit for that year and to raise \$1.47 billion in the State's fiscal year 2007/2008. The governor's budget also includes several other tax increases and changes. Much debate will occur prior to the enactment of a final tax structure plan.

As introduced, the governor's budget for fiscal year 2007/2008 includes a revenue-sharing increase of \$27 million to be distributed using the three-part formula currently contained in the revenue-sharing act (taxable value per capita, population/unit type, and yield equalization) with an additional \$14.5 million for public safety funding. While specific details have not been announced yet, communities would only be eligible for the increase if they can demonstrate service sharing with other local governments.

While the debate has begun, there still remain considerably more questions than answers regarding long-term funding of statutory revenue sharing. Additionally, there are several practical short-term concerns including:

- If revenue-sharing cuts are enacted for the State's fiscal year 2006/2007, then these unplanned revenue-sharing payment reductions could impact the Township's year ending December 31, 2007. However, the amounts may not be known until spring or summer, providing local governments will little or no time to react.
- Final decisions on revenue-sharing funding levels for the State's fiscal year 2007/2008 will likely not be complete in time for local governments working on 2008 budgets.

The table below details state-shared revenue for the Township since 2001 broken out by statutory and constitutional portions.

<u>State Fiscal Year</u>	<u>Statutory</u>	<u>Constitutional</u>	<u>Total</u>	<u>Decrease from 2001</u>
2001	\$ 963,354	\$ 1,528,795	\$ 2,492,149	\$ -
2002	847,158	1,544,367	2,391,525	100,624
2003	718,450	1,570,514	2,288,964	203,185
2004	503,759	1,553,454	2,057,213	434,936
2005	444,261	1,590,528	2,034,789	457,360
2006	394,543	1,617,606	2,012,149	480,000
2007*	361,032	1,614,596	1,975,628	516,521

\* estimated

If the State were to eliminate the statutory portion of revenue sharing (as the constitutional portion cannot be modified without a change to the State's constitution), the Township has \$361,032 at risk in its General Fund budget based on 2007 funding levels. In light of the current environment, we strongly encourage local governments to be conservative when budgeting or projecting the revenue-sharing line item.

### **New Cable Franchise Legislation**

The governor signed cable franchise legislation (House Bill 6456) into law effective January 1, 2007. The new law (Public Act 480 of 2006) creates the "Uniform Video Services Local Franchise Act," which provides a statewide framework for franchising agreements instead of individual community agreements. This Act requires video service providers to obtain a local franchise, good for 10 years, from the franchising entity (the local unit of government). As part of the local franchise, the provider is required to pay an annual video service provider fee, not to exceed 5 percent of gross revenue, as well as an annual fee for the costs of the PEG access facilities, not to exceed 2 percent of gross revenue. The Act allows providers to terminate the current franchise contracts before their expiration date, in order to enter into this new local franchise agreement under the statewide framework.

Local units of government will be impacted in the following ways:

- Under the Act, no additional fees or charges other than those stipulated under the Act may be written into the local franchise agreements.
- To the extent existing cable franchise agreements provided more funding than provided for under the new Act, municipalities will see reduced fees from these new local franchise agreements.
- A credit, based on annual maintenance fees paid for use of public rights of way, to video service providers is allowed under the Act. This credit could eliminate or significantly reduce any revenue the local unit might receive under the bill's franchise fee.
- Audits of the video service providers' calculation of gross revenue is limited to once every two years.

It is expected that local governments will receive their first payment under the new Act beginning in May 2007. We strongly encourage you to review this payment compared to payments previously received and follow up with your provider as required.

## **Property Assessment Cap**

As you recall, Proposal A limits the growth in taxable value to the lesser of inflation or 5 percent. The inflation factor for this calculation is published by the State Tax Commission and is:

<u>Year</u>	<u>Percentage</u>
2007	3.7
2006	3.3
2005	2.3
2004	2.3
2003	1.5
2002	3.2
2001	3.2
2000	1.9
1999	1.6
1998	2.7
1997	2.8

As indicated above, growth in existing property taxes can be significantly limited due to Proposal A. This factor should be considered when the Township is involved in long-term financial planning.

## **Property Tax Legislation**

A series of House bills were introduced in 2007 dealing with the treatment of the uncapping of value on sale or transfer of property. With the passage of Proposal A in 1994, changes to the taxable value of an individual property are limited to the lesser of the rate of inflation or 5 percent until the property is sold or transferred. The difference between the capped taxable value amount and state equalized value at the time of transfer is referred as the “uncapped” value or the “pop-up” value. As several published studies and reports have demonstrated, the treatment of “uncapped” values or the “pop up” amount when a property is transferred or sold as growth on existing property subject to the Headlee rollback calculation has resulted in continued downward pressure on millage rates. This treatment is due to definitional changes made to the General Property Tax Act in 1994.

### **Property Tax Legislation (Continued)**

The three bills in the package are House Bills 4440, 4441, and 4442 and would propose to do the following:

- **House Bill 4440** - This bill establishes an 18-month moratorium on the “pop-up” or “uncapping” of taxable value to state equalized value at the time of sale or transfer of a property. Property sales or transfers occurring in the time frame of the moratorium would continue to pay property taxes at the previous taxable value amount. The “pop-up” or “uncapping” of taxable value would be delayed until the property was sold or transferred in later years.
- **House Bill 4441** - This bill increases the real estate transfer tax by .10 percent and earmarks the money to be returned to local government for potential loss in revenue occurring from House Bill 4440.
- **House Bill 4442** - This bill would change the General Property Tax Act to exempt the “pop-up” or “uncapped” value from the Headlee rollback calculation. If this legislation were enacted, increases in taxable value resulting from property sales or transfers would be treated as “additions” to taxable value or new growth versus growth on existing property.

House Bills 4440 and 4441 passed the House on March 14 (HB 4440 has been assigned to the Senate Finance Committee). House Bill 4442 has not been voted on yet in the House. The bills are not tie barred.

### **911 Surcharge Sunset Extended**

Local governments receiving monies under the Emergency Service Enabling Act to support 911 operations faced the potential elimination or change in the funding formula at December 31, 2006. To allow further analysis of this issue, the sunset of the Act was extended one year to December 31, 2007 (Public Act 249 of 2006).

### **Municipal Finance Act Revisions**

The Municipal Finance Act was amended several years ago. Communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old 10-day “exemption from prior approval” process has been eliminated and is replaced with this qualification process. This filing will serve as a pre-approval for future debt issues. The current filing is due within six months following the end of the Township’s year ended December 31, 2006 and is good for one year thereafter. The Township should consider the need to file a qualifying statement for each of its component units.



May 9, 2007

### **Downriver Sewer System**

As mentioned in previous years, the Township, along with several other communities in the Downriver Sewer System, are currently upgrading the system as a result of litigation brought by the U.S. Environmental Protection Agency. This upgrading is being administered by Wayne County, which includes the issuance of debt on behalf of the communities and construction and cash management. During our audit, the County was unable to confirm to us that all property taxes submitted to the County have been credited to "our account." The Township should follow up with County personnel to determine that all payments to the County are credited to Township "accounts."

### **Funding of Postemployment Benefit Obligations**

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care benefits. The intent of the new rules is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. These new rules will apply to the government-wide financial statements, rather than the individual fund level. As a result, the Township will need to continue to budget for contributions to a pre-funding plan. For many communities, the funding of postemployment benefits is the most significant financial challenge they will face in coming years. The statement, as previously mentioned, will be effective for the Township's 2008 calendar year and the Township should consider performing an actuarial valuation in the near future to provide an estimate as to what these annual costs may amount to. The cost of health care currently paid each year as premiums become due has been increasing and the trend is expected to continue.

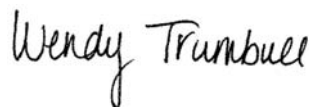
We would like to thank the board of trustees, supervisor, clerk, treasurer, and other departmental staff for the courtesy and cooperation extended to us during the audit. We appreciate the continued opportunity to serve as your auditors for the Township. We would be happy to answer any questions you have regarding the annual financial report, or the above comments and recommendations at your convenience.

Very truly yours,

**Plante & Moran, PLLC**



David H. Helisek



Wendy N. Trumbull